

July 20, 2011

To: Members of the U.S. House of Representatives

From: Floyd Stoner, Executive Vice President, Congressional Relations & Public Policy

Re: ABA Views on H.R. 1315, the Consumer Financial Protection Safety and Soundness Act

On behalf of the members of the American Bankers Association, I am writing to express our views on H.R. 1315, the Consumer Financial Protection Safety and Soundness Act, and other provisions within the legislation. This legislation, expected to come before the House this week, is commonsense legislation that brings accountability to the Dodd-Frank Act.

H.R. 1315, introduced by Congressman Sean Duffy, would change the voting standard established in the Dodd-Frank Act for the Financial Stability Oversight Council (FSOC) from the two-thirds majority vote currently required to a simple majority vote. The FSOC is comprised of the nation's top regulators, covering the spectrum of the financial services industry. ABA believes that it should be sufficient to set aside a Bureau of Consumer Financial Protection rule if a simple majority of the nation's top regulators believes the Bureau has acted in a manner that adversely impacts the safety and soundness of the American banking or financial system. The very purpose of the FSOC was to avoid problems that could lead to risks that threaten the economy. The majority viewpoint of the regulators with this responsibility should not be ignored.

This legislation also contains a provision, introduced in the Financial Services Committee by Committee Chairman Spencer Bachus, that would replace the Director of the Bureau of Consumer Financial Protection with a five person commission. ABA supports the commission concept and believes that a commission structure is appropriate to address the extremely broad authority of the Bureau's Director to impose new rules. We believe that the commission approach would broaden the perspective on any rulemaking and enforcement activity of the Bureau, and it would provide needed balance and appropriate checks in the exercise of the Bureau's authority. The commission also would facilitate continuity of the organization and enhance predictability about rulemaking over time.

We would urge the House to consider perfecting this provision by requiring the commission to include members with consumer finance business experience and direct safety and soundness regulatory expertise. We believe this expertise provides an important and necessary perspective as standards are set and enforcement activities are undertaken. This important addition also will help improve the accountability and address the separation between consumer protection and sound financial management.

ABA also urges the House to consider requiring one of the five seats on the proposed commission to be filled with the statutorily mandated position of Vice-Chairman for Supervision of the Federal Reserve Board. The Vice-Chairman for Supervision is a unique official who has oversight responsibility both for large financial holding companies (which

include the nation's biggest banks and credit card issuers) and state-chartered community banks that are Federal Reserve members. We believe the inclusion of the Vice-Chairman for Supervision provides necessary and current safety and soundness experience that directly addresses a pivotal deficiency of the existing structure.

Finally, ABA is concerned about the transfer of authority date established in the Dodd-Frank Act. ABA supports the provision, championed by Financial Institutions Subcommittee Chairman Shelley Moore Capito, which would delay the transfer of authority to the Bureau until a leadership structure has been put in place. Having the Bureau inherit certain regulatory powers but not others because there is no leadership structure in place is not good public administration.

We appreciate the House taking our views into consideration, and we urge Members to support H.R. 1315.